



# Iowa Department of Human Services

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## INFORMATIONAL LETTER NO.1617-MC

**DATE:** March 8, 2016

**TO:** Iowa Medicaid Community Mental Health Centers (CMHCs) and Managed Care Organizations (MCOs)

**FROM:** Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

**RE:** Cost Reporting and Reimbursement

**EFFECTIVE:** January 1, 2016

The IA Health Link managed care program will begin on April 1, 2016. Informational Letter [1488](#)<sup>1</sup> notified CMHCs that they may choose between two reimbursement methods beginning with state fiscal year (SFY) 2015 and effective July 1, 2014. This letter is to provide an update and clarification as reimbursement is transitioned to the MCOs.

CMHCs may choose to be reimbursed for the services provided to recipients of medical assistance through either of the following options:

1. One hundred percent of the reasonable costs of services, as reflected through cost reports.
2. In accordance with the alternative reimbursement rate methodology (i.e., fee schedule) established by the medical assistance program's MCOs.

As reflected in applicable rules under 441 Iowa Administrative Code 79.1(25)"b", once a CMHC elects the alternate reimbursement methodology, it may not change back to 100 percent cost-based reimbursement at a later date. Once a CMHC elects one of the two methodologies listed above, that will be the CMHC's payment methodology standard for services paid under Medicaid Fee-for-Service (FFS). This selection will also set a CMHC's rate floor under the IA Health Link managed care program.

CMHCs that have chosen the cost-based reimbursement methodology will continue receiving retroactive cost settlements for Medicaid FFS claims not reimbursed by the MCOs, pursuant to 441 Iowa Administrative Code 79.1(25)"c". All current Medicaid providers, including CMHCs, will be negotiating their provider-specific reimbursement rates with the MCOs that were selected by the state.

Rate changes for CMHCs resulting from subsequent cost report information will not impact the rate floors established per Informational Letter [1562](#)<sup>2</sup>, but could be used during contract negotiations with the MCOs.

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<sup>1</sup> [https://dhs.iowa.gov/sites/default/files/1488\\_AlternativeReimbursementforCMHC.pdf](https://dhs.iowa.gov/sites/default/files/1488_AlternativeReimbursementforCMHC.pdf)

<sup>2</sup> [https://dhs.iowa.gov/sites/default/files/1562\\_ManagedCareOrganizationProviderReimbursementRateFloors.pdf](https://dhs.iowa.gov/sites/default/files/1562_ManagedCareOrganizationProviderReimbursementRateFloors.pdf)

For SFY 16, CMHCs that chose the cost-based reimbursement methodology will continue receiving retroactive cost settlements for Medicaid FFS claims for the entire year. The IME will also cost settle CMHC's Iowa Plan claims from July 1, 2015, through March 31, 2016.

For SFY17 and after, the IME will be cost settling Medicaid FFS only. The cost settled rate will serve as the rate baseline from which CMHC may negotiate with the MCOs. It is not intended to set definitive provider reimbursement. MCOs must agree to reimburse providers at a rate that is equal to or exceeds the defined Iowa Medicaid floor, or as otherwise mutually agreed upon by the Contractor and the provider. The MCO capitation rates include a cost trend factor. CMHC providers can use cost report results to negotiate with MCOs. It is our expectation that both parties would work together to come to a mutual agreement that serves the best interests of all parties involved, including the Medicaid members.

If you have any questions please contact the IME Provider Services Unit at 1-800-338-7909, or email at [IMEproviderservices@dhs.state.ia.us](mailto:IMEproviderservices@dhs.state.ia.us).